

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of)

PUBLIC UTILITIES COMMISSION)

Instituting a Proceeding to Investigate)
the Implementation Of Feed-in Tariffs)
_____)

Docket No. 2008-0273

FILED

2010 JAN 21 A 10:18

PUBLIC UTILITIES
COMMISSION

HAIKU DESIGN AND ANALYSIS
COMMENTS ON PROPOSED TIERS 1 AND 2 TARIFFS
AND
CERTIFICATE OF SERVICE

Carl Freedman
Haiku Design & Analysis
4234 Hana Hwy.
Haiku, HI 96708
(808) 572-2519

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HAIKU DESIGN AND ANALYSIS

COMMENTS ON PROPOSED TIERS 1 AND 2 TARIFFS

Carl Freedman, dba Haiku Design and Analysis (HDA) respectfully offers its Comments on Proposed Tiers 1 and 2 Tariffs (Proposed Tariffs, Alternate Tariffs, and Standard Contract) regarding the implementation of feed in tariffs for Hawaiian Electric Company, Inc., Maui Electric Company Ltd. and the Hawaii Electric Light Company, Ltd. (collectively: HECO Companies).

HDA's comments are not comprehensive and do not attempt to address all aspects of the proposed tariff and proposed alternate tariff filings.

(1) HDA commends the HECO Companies for utilizing an open modeling approach for the calculation of proposed tariffs. The HECO Companies and their consultants provided a live, transparent spreadsheet model that was made available to all parties along with explicit identification of the assumptions used in the analysis. All parties had the opportunity to (a) examine the methods and equations used in the calculation of the HECO Company proposed tariffs and (b) use the model to examine their own project cost and economic

assumptions. The open modeling approach was constructive and allowed all parties to focus on pertinent assumptions and issues without requiring excessive time or discovery to investigate analysis assumptions and methods.

(2) For some perspective and reference, HDA notes that many of the HECO Company proposed tariff rates are below HDA's estimate of twenty-year levelized avoided energy costs. Based on the method and spreadsheet (distributed to the Commission and all parties) used by HDA in its chart on page 28 of HDA's Opening Brief in this docket and assuming current avoided costs equal to those identified in HECO's pending 2009 test year rate case (ca. \$0.18/kWh) and two percent real annual cost escalation, HECO's current twenty-year levelized avoided energy costs are about \$0.26 per kilowatt-hour. The HECO Company proposed tariff rates for HECO for Tiers 1 and 2 that would apply to projects taking the 35% Hawaii State income tax credit are less than levelized avoided energy costs for all tariffs except Tier 1 CSP which is slightly more than HDA's avoided energy cost estimate. For the solar projects eligible and electing to take the 24.5% refundable tax credit the proposed HECO tariffs are below or only slightly above estimated levelized avoided costs with the exception of Tier 1 CSP projects (at \$0.331/kWh). HDA has not estimated twenty-year levelized avoided energy costs for MECO or HELCO.

(3) The proposed tariffs do not explicitly address the issue of exactly what should or would happen if the federal or state tax incentives should change. It is certainly possible that the Hawaii State renewable technology income tax credit rates could change or disappear within the year 2010. From a tactical standpoint, in light of anticipated budget politics in

the upcoming legislative session this is perhaps a wise course since it would not necessarily be good to announce to legislators that if income tax credits were eliminated this would “automatically” result in a transfer of the same amount of revenues from taxpayers to electric utility ratepayers by way of the project-cost basis of the calculation of feed-in tariff rates. Some inquiries along these lines have already been made by stakeholders in anticipation of the coming legislative session. The question of whether financial support for renewable energy technologies should come from taxpayers, ratepayers of some proportion of both is a valid policy issue that will undoubtedly be argued in the coming legislative session. HDA does not state a position on this question one way or another in these comments. HDA does note, however, that a substantial change in the level of tax incentives would have a direct and substantial impact on the determination of project-cost based feed-in tariff rates and that there is a real possibility that this issue may pose itself on a time line that coincides with the initial implementation of the proposed feed-in tariff rates. HDA does not recommend any changes, action or remedy at this time but simply reminds the parties and the Commission to be prepared for this potentially substantial contingency.

(4) The Commission has specified a two year period before initial reexamination of feed-in tariff provisions followed by three-year periodic reexaminations. Because of the substantial scope and magnitude of uncertainties that proved evident in the process of determining and proposing feed-in tariff provisions, HDA recommends that the Commission anticipate the possible need for adjustments to the feed-in tariff provisions (including tariff rates and queuing and interconnection procedures) in advance of the initial two-year period. The

Commission has provided for an independent observer to oversee the establishment and implementation of queuing and interconnection procedures. It is expected that the independent observer will maintain some ongoing dialog with the Commission as the feed-in tariff process is initially implemented. HDA recommends that the Commission, in consultation with the independent observer, deliberately and attentively monitor the progress of the feed-in tariff process and at least remain prepared to make adjustments on a timely basis as may be required if adjustments may be indicated before the initial scheduled two-year reexamination.

Dated: January 20, 2010; Haiku, Hawaii

Signed: CARL FREEDMAN

Carl Freedman
dba Haiku Design and Analysis

CERTIFICATE OF SERVICE

The foregoing HAIKU DESIGN AND ANALYSIS COMMENTS ON PROPOSED TIERS 1 AND 2 TARIFFS was served by electronic transmission on the date of signature below to the following parties in this docket except that as noted, the Division of Consumer Advocacy was also served two copies on the same date by first class mail:

CATHERINE P. AWAKUNI, EXECUTIVE DIRECTOR ALSO BY FIRST
DIVISION OF CONSUMER ADVOCACY CLASS MAIL

DEAN MATSUURA, MANAGER REGULATORY AFFAIRS
HAWAIIAN ELECTRIC COMPANY, INC.

JAY IGNACIO, PRESIDENT
HAWAII ELECTRIC LIGHT COMPANY, INC.

EDWARD L. REINHARDT, PRESIDENT
MAUI ELECTRIC COMPANY, LTD.

THOMAS W. WILLIAMS, JR., ESQ.
PETER Y. KIKUTA, ESQ.
DAMON L. SCHMIDT, ESQ.
GOODSILL, ANDERSON QUINN & STIFEL

ROD S. AOKI, ESQ.
ALCANTAR & KAHL LLP
MARK J. BENNETT, ESQ.
DEBORAH DAY EMERSON, ESQ.

GREGG J. KINKLEY, ESQ.
DEPARTMENT OF THE ATTORNEY GENERAL, Counsel for DBEDT

CARRIE K.S. OKINAGA, ESQ.
GORDON D. NELSON, ESQ.
DEPARTMENT OF THE CORPORATION COUNSEL, CITY AND COUNTY OF HONOLULU

LINCOLN S.T. ASHIDA, ESQ.
WILLIAM V. BRILHANTE JR., ESQ.
MICHAEL J. UDOVIC, ESQ.
DEPARTMENT OF THE CORPORATION COUNSEL, COUNTY OF HAWAII

MR. HENRY Q CURTIS
MS. KAT BRADY
LIFE OF THE LAND

MR. WARREN S. BOLLMEIER II, PRESIDENT
HAWAII RENEWABLE ENERGY ALLIANCE

DOUGLAS A. CODIGA, ESQ.
SCHLACK ITO LOCKWOOD PIPER & ELKIND
Counsel for BLUE PLANET FOUNDATION

MR. MARK DUDA, PRESIDENT
HAWAII SOLAR ENERGY ASSOCIATION

MR. RILEY SAITO
THE SOLAR ALLIANCE

JOEL K. MATSUNAGA
HAWAII BIOENERGY, LLC

KENT D. MORIHARA, ESQ.
KRIS N. NAKAGAWA, ESQ.
SANDRA L. WILHIDE, ESQ.
MORIHARA LAU & FONG LLP
Counsel for HAWAII BIOENERGY, LLC
Counsel for MAUI LAND & PINEAPPLE COMPANY, INC.

MR. THEODORE E. ROBERTS
SEMPRA GENERATION

MR. CLIFFORD SMITH
MAUI LAND & PINEAPPLE COMPANY, INC.

MR. ERIK KVAM, CHIEF EXECUTIVE OFFICER
ZERO EMISSIONS LEASING LLC

JOHN N. REI
SOPOGY INC.

GERALD A. SUMIDA, ESQ.
TIM LUI-KWAN, ESQ.
NATHAN C. NELSON, ESQ.
CARLSMITH BALL LLP
Counsel for HAWAII HOLDINGS, LLC, dba FIRST WIND HAWAII

MR. CHRIS MENTZEL
CHIEF EXECUTIVE OFFICER
CLEAN ENERGY MAUI LLC

MR. HARLAN Y. KIMURA, ESQ.
Counsel for TAWHIRI POWER LLC

SANDRA-ANN Y.H. WONG, ESQ.
ATTORNEY AT LAW, A LAW CORPORATION
Counsel for ALEXANDER & BALDWIN, INC.,
Through its division, HAWAIIAN COMMERCIAL & SUGAR COMPANY

Dated: January 20, 2010; Haiku, Hawaii

Signed: CARL FREEDMAN
Carl Freedman
dba Haiku Design and Analysis